

Proposition 2 1/2

The levy limit explained

Proposition 2 1/2 refers to an initiative statute adopted by the voters of the Commonwealth in Nov. 1980. Its purpose was to stabilize municipal property taxes. It limits the amount by which the taxing capacity of the Town is allowed to increase each year. The allowed growth is 2.5 percent of the prior year's levy limit. For FY12, this allowed increase in the limit will be \$1,614,234 (which is 2.5% of the FY11 levy limit, \$64,569,355).

Added to the levy limit computation is the levy increase attributable to new growth. This represents additions to the base of taxable property, typically as a result of new construction, renovation and minor alterations, or change of use. Permitting the levy limit to be adjusted by new growth recognizes the fact that development creates pressures on Town services over the long term.

The assessment date for each tax year is Jan. 1. The 2001 Annual Town Meeting adopted a State law allowing the physical improvements existing on property through each June 30 to be assessed with the taxable roll of the preceding Jan. 1. Thus, new growth forecasted for FY12 is based on the activity of the current 12-month fiscal year ending June 30, 2011. The budget estimate is \$600,000, equivalent to about 0.9% of the FY11 total property tax levy.

Total growth of the levy limit is therefore attributable to two factors, one which is fixed (+2.5% per year) and one that is variable and subject to economic conditions. The total increase in the FY12 levy limit is thus projected to be \$2,214,234.

Additionally, the FY12 permitted tax levy will increase due to the added cost of debt service already approved by voters at the ballot box in prior years. The FY12 increase is \$54,432. This is net of the proposed allocation from the Elementary School Debt Stabilization Fund (Article 26, \$700,000) and the amortization of the Thoreau School grant received from the Mass. School Building Authority in June 2010 (\$427,413 allocated for FY12).

The total increase in the Budget Plan recommended by the Finance Committee amounts to \$2,594,551 (+3.35%). The property tax levy required to fund this proposed budget level will be \$1.2 million under the levy limit, based upon current projections of other revenues and available resources.

Funding the FY12 Guideline Budget

> from permitted levy limit increase	\$ 1,614,234
> increase in debt exclusion levy	54,432
> from prior unused levy limit	<u>832,369</u>
subtotal, base property tax levy	\$ 2,501,035
> tax levy from new growth (est.)	600,000
> change in state aid (est.)	(357,671)
> change in use of reserves	(88,813)
> change in other local revenues (est.)	<u>(60,000)</u>
TOTAL	\$ <u>2,594,551</u>

Overriding the levy limit

Once at the annual levy limit, the Town may exceed this limit only with a majority vote at a Town-wide special or regularly scheduled election. Without changes to current State laws, development of new municipal revenue sources, or significant amounts of new State aid, override votes have in recent years been annual consideration in the budget cycle. Voters approved operating overrides for the Town government accounts and the schools for six consecutive years:

FY02 budget: \$2,249,022
 FY03 budget: \$1,478,773
 FY04 budget: \$1,532,364
 FY05 budget: \$1,858,160
 FY06 budget: \$ 752,480
 FY07 budget: \$ 657,538

Fifteen debt exclusion ballots have also been approved by the voters (see the section Excluded Debt). The total debt exclusion tax levy for FY12 is budgeted at \$4,069,862 (about 5.8% of the total projected tax bill). This is net of the proposed \$700,000 allocation from the Elementary School Debt Stabilization Fund proposed under Article 26 and of the FY12 allocation of \$427,413 from the \$6.3 million Thoreau School grant received from the MSBA. The major portion of this sum, \$3,528,248, about 5.1% of the projected tax bill, is

the tax-supported financing cost of debt issued for the Alcott, Thoreau and Willard elementary school projects.

Forms of overrides

The Town Meeting does not vote on overrides, or specify the ballot questions. By State law, overrides, capital outlay and debt exclusions are voted upon only at a Town-wide election and require a simple majority vote for approval. State law gives the Board of Selectmen the sole authority to determine and specify the ballot questions. The Town Meeting's responsibility is to adopt budgets, and, when necessary, to specify whether and how much of an appropriation is to be contingent upon override or exclusion approval by the town-wide electorate.

Override votes may precede or follow Town Meeting action. A General Override or Capital Exclusion vote will show the amount of the override in the wording of the ballot question. A Debt Exclusion cannot, by State law, show the amount of the debt, but rather can only refer to the debt authorized or to be authorized by a vote of Town Meeting. Authorization of Town debt by the issuance of bonds requires a two-thirds vote in a specified amount at Town Meeting.

There are several permitted forms of a vote to exceed the annual levy limit:

General Override

A majority vote of the Board of Selectmen (three of five) is required to place this question on a ballot. The dollar amount of the levy limit increase must be specified and, if approved, the vote permanently increases the limit. The question can be posed with respect to the total budget or by identifying allocations to specific departments.

Capital outlay exclusion

A two-thirds vote of the Board of Selectmen (four of five) is required to place this question on a ballot. If approved, the dollar amount of the override is effective for one year only. This form of vote can be used to authorize a capital purchase in lieu of a borrowing authorization. It can only be used for an expense that qualifies, under State law, for debt issuance authorization by the Town Meeting.

Debt exclusion

A two-thirds vote of the Board of Selectmen (four of five) is required to place this question on a ballot. If approved, the override is effective only for the duration of the specified loan. The annual debt service amount (principal and interest payment) is added to the otherwise permitted annual levy limit.

Debt Service Schedule

for debt issued through June 30, 2010

Fiscal Year	Total Annual Debt Service		Total Principal Outstanding at June 30th	Tax Supported Annual Debt Service							
				Town (within levy limit)		Town (outside levy limit)		School (within levy limit)		School (outside levy limit)	
	Principal Matured	Interest Payment		Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment
2011	7,792,207	2,561,244	71,807,682	2,125,000	240,517	173,196	48,717	655,000	85,568	2,990,000	1,648,275
2012	7,100,780	2,323,662	64,706,902	1,675,000	176,716	174,675	44,253	475,000	66,716	2,980,000	1,558,738
2013	6,394,410	2,107,191	58,312,492	1,205,000	126,591	176,184	39,631	475,000	53,479	2,935,000	1,469,494
2014	6,128,314	1,913,338	52,184,178	965,000	90,641	177,723	34,726	435,000	40,016	2,935,000	1,380,626
2015	5,642,499	1,726,458	46,541,679	795,000	60,126	179,293	29,539	410,000	26,831	2,930,000	1,286,325
2016	5,311,970	1,547,907	41,229,709	580,000	33,450	180,895	24,067	335,000	14,388	2,930,000	1,189,082
2017	4,456,734	1,370,773	36,772,975	280,000	13,000	82,529	18,560	140,000	4,175	2,930,000	1,088,857
2018	4,111,796	1,232,224	32,661,179	100,000	3,750	84,196	16,767	0	0	2,920,000	990,844
2019	3,772,163	1,098,586	28,889,016	0	0	85,897	14,939	0	0	2,740,000	886,850
2020	3,717,523	975,882	25,171,494	0	0	87,632	13,073	0	0	2,740,000	787,563
2021	3,733,738	852,014	21,437,756	0	0	89,403	11,170	0	0	2,740,000	687,888
2022	3,739,005	724,674	17,698,751	0	0	91,209	9,229	0	0	2,740,000	585,088
2023	3,600,652	594,869	14,098,099	0	0	93,052	7,248	0	0	2,585,000	480,178
2024	3,617,635	470,318	10,480,464	0	0	94,932	5,227	0	0	2,585,000	380,884
2025	3,634,962	342,490	6,845,502	0	0	96,850	3,165	0	0	2,585,000	278,682
2026	2,742,637	231,651	4,102,865	0	0	98,806	1,062	0	0	1,675,000	193,844
2027	2,127,865	157,850	1,975,000	0	0	0	0	0	0	1,300,000	143,657
2028	1,300,000	89,313	675,000	0	0	0	0	0	0	1,300,000	89,313
2029	675,000	27,000	0	0	0	0	0	0	0	675,000	27,000
total	79,599,890	20,347,444		7,725,000	744,791	1,966,472	321,373	2,925,000	291,173	47,215,000	15,036,875

Interest expense as % of total debt service, FY11: 24.7%

Interest expense as % of total debt service to final maturity: 20.4%

Projected as of June 30, 2011:

	5 yrs	10 yrs
Debt Retirement - all	41.5%	68.4%
Debt Retirement - tax supported only	41.6%	68.7%

Revenue Supported Annual Debt Service							
Water		Sewer		Betterment (WPAT loans)		Light	
Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment	Principal Matured	Interest Payment
550,000	178,669	574,072	222,445	194,939	44,534	530,000	92,519
550,000	157,869	583,649	208,400	197,456	42,058	465,000	68,912
350,000	136,869	593,420	194,146	199,806	39,532	460,000	47,449
350,000	124,119	603,388	179,931	202,203	36,955	460,000	26,324
350,000	111,269	613,557	165,398	204,649	34,326	160,000	12,644
350,000	98,206	623,932	150,620	207,143	31,644	105,000	6,450
250,000	81,831	534,516	134,242	209,689	28,908	30,000	1,200
250,000	72,113	545,314	122,634	212,286	26,116	0	0
175,000	62,738	556,331	110,791	214,935	23,268	0	0
175,000	56,175	567,570	98,709	147,321	20,362	0	0
175,000	49,175	579,036	86,383	150,299	17,398	0	0
175,000	42,175	590,734	73,808	142,062	14,374	0	0
175,000	35,175	602,668	60,979	144,932	11,289	0	0
175,000	28,175	614,843	47,891	147,860	8,141	0	0
175,000	21,175	627,265	34,538	150,847	4,930	0	0
175,000	14,175	639,936	20,916	153,895	1,654	0	0
175,000	7,175	652,865	7,018	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
4,575,000	1,277,083	10,103,096	1,918,849	2,880,322	385,489	2,210,000	255,498

subtotals		
Tax-supported		Revenue- supported
within Limit	Excluded	
3,106,085	4,860,188	2,387,178
2,393,432	4,757,666	2,273,344
1,860,070	4,620,309	2,021,222
1,530,657	4,528,075	1,982,920
1,291,957	4,425,157	1,651,843
962,838	4,324,044	1,572,995
437,175	4,119,946	1,270,386
103,750	4,011,807	1,228,463
0	3,727,686	1,143,063
0	3,628,268	1,065,137
0	3,528,461	1,057,291
0	3,425,526	1,038,153
0	3,165,478	1,030,043
0	3,066,043	1,021,910
0	2,963,697	1,013,755
0	1,968,712	1,005,576
0	1,443,657	842,058
0	1,389,313	0
0	702,000	0
11,685,964	64,539,720	23,605,337

Debt management

Prudent use of debt financing is an important part of the Town's overall fiscal planning. The central objective of any debt management approach is to borrow at the least cost over the term of repayment of the debt. Pursuit of this objective requires clear strategies regarding the purposes of the borrowing, when to schedule debt-financed projects, and how long to stretch out the repayment. Borrowing is a means of distributing part of a current capital cost to future taxpayers, and therefore should be utilized only when such cost allocation is deemed equitable and the long-term interest costs do not outweigh other benefits.

All debt of the Town is issued as *general obligation debt*. This means that the full faith and credit of the Town—its promise to repay from any source—is pledged to the bondholder. Debt issued on behalf of the Town's enterprise operations (water, sewer, light) is, however, fully supported by the revenues of the respective enterprise when this is stipulated by the authorizing vote of Town Meeting. The basic rules of debt issuance are set forth in the General Laws of the Commonwealth. Municipalities have no independent authority to develop their own rules or innovations.

Capital financing and debt management policy for town debt supported by taxation *within* the levy limit is subject to the following guidelines:

- the total budget allocation for capital needs should be in the range of 7% to 8% of the total budget (town and K-8 schools);
- approximately one-third of capital needs should be met from current resources; the repayment of principal and interest, together with related issuance costs and short-term financing costs (i.e., debt service) should be capped at approximately 5% of the total budget;
- a rapid debt repayment schedule should be maintained, with a goal of 60% principal repayment within five years and 90% repayment within 10 years.

These guidelines are modified for major projects supported by debt exclusion votes. For example, the Alcott School bond was issued in Sept. 2004 as a 20-year level-principal maturity schedule. The Thoreau School bond was issued in Sept. 2006 with an 18-year level principal maturity schedule.

The guidelines for debt to be financed within the levy limit serve several important purposes:

- capital needs are not displaced by the fiscal demands of current operations;
- the Town's approach to borrowing decisions is disciplined;
- the amount of debt service dollars expended for interest cost is minimized (about 25% of the total FY12 debt service appropriation will be expended for interest);

- the capacity to address ongoing capital needs is quickly and continuously restored.

Revenue-supported debt (water, sewer, light) is subject to different guidelines that consider the useful life of the project and the current interest rates in the marketplace (generally, debt issued for longer periods bears a higher interest rate).

Jan. 14, 2010, in connection with the Town's most recent long-term bond issue, Moody's Investors Service reaffirmed the Town's credit rating of Aaa, its highest rating category. The rating report may be viewed on the Town's website at concordma.gov. The Aaa rating had first been obtained in Nov. 1987. The Town's credit rating is a measure of its overall fiscal health.

The benefit of a strong credit rating is realized in lower interest costs on the Town's long-term debt issues. Thus, to the extent that the Town plans to borrow in support of its capital needs, a strong credit rating is a benefit to the taxpayers. Over the past seven years, the Town has issued more than \$53 million in long term debt to finance the three elementary school construction projects. Each bond issue has been sold at an interest rate below 4%. Most recently, the \$12.9 million serial bond issue in January 2010 for the Willard project was sold at a 3.19% interest cost for a 19-year term.

Excluded debt

The FY12 budget for the debt service on all excluded debt authorized to date is budgeted at \$5,197,275. Of this total, \$700,000 is proposed to be allocated from the Elementary School Debt Stabilization Fund (Article 26), the second year of a planned six-year draw down. As of March 1, 2011, this fund had a balance of \$1,828,246, which includes \$328,246 earned and added to the fund and \$1 million allocated at the 2010 Town Meeting to FY11 debt service. The purpose of this fund, created July 1, 2008 by a Town Meeting vote appropriating \$2.5 million from Free Cash, is to lessen the tax impact from \$51 million of bonds issued since 2004 for the Alcott, Thoreau and Willard elementary schools. Additionally, \$427,413 will be the second annual allocation from the \$6.3 million Thoreau School MSBA grant received June 2010.

The net FY12 tax levy for excluded debt will be about 5.8 % of the total \$67.56 million projected property tax levy. The major portion of this cost is for the three elementary school projects.

The FY12 budget includes \$3,528,248 for Alcott, Thoreau and

Willard School debt expense (net of the Stabilization Fund allocation).

Following is a summary of the debt exclusion authorizations comprising the FY12 budget.

Concord-Carlisle High School (1992 & 1995)—final assessment share in FY12

At the Town Election March 31, 1992, voters by a vote of 2,399 to 1,753 approved excluding debt authorized by the regional school for the Phase I improvements at the high school. A \$5.8 million bond was issued Nov. 1, 1992, and a \$1 million bond was issued Oct. 1, 1994.

At the Town Election March 28, 1995, by a vote of 572 to 370, voters approved excluding debt authorized by the Regional School District for the Phase 2 improvements at the high school. A \$3.1 million bond was issued April 15, 1996.

Both of these bond issues were refinanced by CCRSD in April 2003. This nine-year issue, with a final maturity in April 2012, was sold at a 2.71% interest rate.

Harvey Wheeler Bldg. (2002): final payment FY16

At a Special Election May 14, 2002, voters by a vote of 2,759 to 1,062 approved excluding \$1.2 million of debt for the Harvey Wheeler Building renovations, following authorization at the 2002 Annual Town Meeting. This debt was issued in Feb. 2004 at a 2.87% interest rate and repayment commenced in FY05.

Alcott School (2002): final payment in FY25

June 19, 2002, voters approved excluding the debt for construction of the new Alcott School, a \$16.7 million authorization approved at the 2002 Annual Town Meeting. The ballot vote was 2,208 to 1,477. The design and construction portion of this authorization, about \$14.2 million, was audited by the State in the summer of 2006 and received a lump-sum State grant of \$7.2 million in Sept. 2006. A 20-year bond for \$7 million, representing the major portion of the Town's anticipated local share for the construction phase, was issued in Sept. 2004 at a favorable 3.7% interest rate. The second phase of work, demolition of the original

Tax Levy for Excluded Debt

Debt Issued:	FY10 Actual	FY11 Budget	FY12 Proposed	FY13	FY14	FY15	FY16	Final Fiscal Yr
					projected			
Concord-Carlisle H.S.	\$ 539,239	\$ 582,444	\$ 322,941	\$ 186,713	(3,561)	\$ (10,170)	\$ 204,794	2018
Harvey Wheeler Building	122,191	119,827	116,994	114,039	110,837	107,389	103,695	2016
Alcott School	811,335	779,408	762,558	740,052	720,995	701,499	682,442	2025
Thoreau School	1,578,640	1,540,065	1,492,655	1,416,392	1,381,397	1,344,761	1,305,061	2026
Willard School	1,459,333	2,323,693	2,280,449	2,243,873	2,209,145	2,166,271	2,128,091	2029
Wastewater Plan, Phase 1	101,898	101,789	101,678	101,565	101,450	101,332	101,212	2026
subtotal	\$ 4,612,636	\$ 5,447,226	\$ 5,077,275	\$ 4,802,634	\$ 4,520,263	\$ 4,411,082	\$ 4,525,295	
<i>less Stabilization Fund</i>		(1,000,000)	(700,000)	(475,000)	(225,000)	(150,000)	(280,000)	
<i>less MSBA Thoreau grant</i>		(431,796)	(427,413)	(409,878)	(409,878)	(409,878)	(409,878)	
<i>plus authorized, not yet issued (Willard)</i>			120,000	115,000	110,000	105,000		
NET from property tax levy		4,015,430	\$4,069,862	\$4,032,756	\$3,995,385	\$3,956,204	\$3,835,417	

Continued

building and site work, began in the summer of 2006 following the relocation of Thoreau students to their new school building after two years in temporary residence at the old Alcott School. No further state grant was earned for Phase 2 of the Alcott project. A 15-year bond for \$2.3 million was issued in Feb. 2007 at a rate of 3.89%.

*Thoreau School (2004):
final payment in FY25*

June 8, 2004, voters approved excluding the debt for new construction and reconstruction (1994 wing) of the Thoreau School, a \$16.8 million authorization approved at the 2004 Annual Town Meeting. The ballot vote was 3,421 to 1,899. An 18-year bond for \$10 million was issued in Sept. 2006 at a favorable 3.85% interest rate. An 18-year bond for \$6.8 million was issued in Sept. 2007 at a 3.99% rate, completing the Thoreau School permanent financing.

*Wastewater Management Plan,
Phase 1 (2004): final payment in
FY26*

June 8, 2004, voters approved excluding the debt for construction of sewer system extensions in the West Concord and Elm Brook neighborhoods. The ballot vote was 3,392 to 1,851. A debt authorization of \$4,190,000 was approved by the 2004 Annual Town Meeting, the debt to be issued through

the State Water Pollution Abatement Trust at a subsidized interest rate of 2%. The Town meeting voted to allocate this debt among the General Fund, the Sewer Fund and betterments. The property tax share of the debt is approximately \$1,640,000. The debt was executed with the State in Nov. 2005 and principal repayment began on a 20-year schedule beginning July 2006.

*Willard School Design (2006):
final payment in FY18*

March 28, 2006, voters approved excluding the debt for design cost of a new Willard elementary school. The ballot vote was 2,080 to 1,747. Town Meeting subsequently authorized \$1,840,000 for this purpose. This amount was financed as part of the April 1, 2008 bond issue, with a 10-year maturity schedule at a 3.11% interest rate.

*Concord-Carlisle High School
(2006 and 2007): final payment in
FY18*

June 6, 2006, voters approved a debt exclusion for Concord's share of \$1,200,000 for renovations at the regional high school, pursuant to the vote of the 2006 Annual Town Meeting. The ballot vote was 1,209 to 778. March 27, 2007, voters approved a debt exclusion for Concord's share of \$1,245,000 for renovations at the regional high school, by a vote of 959 to 514. This debt was subsequently authorized at the April 2007 Annual

Town Meeting. These authorizations were combined and issued by the District as a 10-year \$2.445 million bond on December 15, 2007, at a 3.33% interest rate.

*Willard School construction
(2007): final payment in FY28*

Nov. 14, 2007, voters approved \$29.4 million for construction of a new Willard Elementary School, by a vote of 2,160 to 1,200. The project is scheduled for fall 2009 completion. A 19-year bond was issued for \$11.9 million in March 2009 at a 3.72% interest rate. A second 19-year bond was issued for \$12.9 million in Jan. 2010 at a 3.18% interest rate. A final bond issue of \$400,000 is expected to be issued this spring to complete the Willard permanent financing.

*Concord-Carlisle High School
(2009): final payment in FY13*

March 31, 2009, voters approved a debt exclusion for Concord's share of \$750,000 for various renovations (\$500,000) and for a Master Plan study (\$250,000), in advance of the vote of the 2009 Annual Town Meeting. The ballot vote was 1,705 to 727. Feb. 17, 2010, the District issued a one-year Bond Anticipation Note at a 1.2% interest rate. At maturity of the Note, Feb. 17, 2011, \$250,000 was paid down and \$500,000 was renewed for one year at 1.05%. Feb. 17, 2012, an additional \$250,000 principal amount will be paid and the remainder will be issued as a final one-year Note.

State aid

State aid is received for general town purposes and is not restricted in use, although it is often discussed as if earmarked for school aid and general or non-school aid. Chapter 70 school aid and the distribution of the net lottery proceeds are the major components of Concord's aid. Concord receives a minimum statutory Chapter 70 allocation, due to its income and property wealth measures.

State aid and the State's fiscal position

State Aid is a significant component of the State budget. Historically it has been almost one-fourth of total State spending, but in recent years cutbacks have reduced this to about a 20% share. Aid is distributed to the cities and towns through a variety of formulas, most of which provide aid to communities based upon relative need as measured by property and income characteristics. On average, about 20% of all

local spending is supported from State aid (FY11 estimated). Funding received by Concord in FY08 had represented about 6% of the Town's total budget but has been cut 14% since then and represents just 4.7% of the current budget.

Due to the State's precarious budget situation that has persisted since the summer of 2008, the Governor and State legislature have taken a series of actions to scale back aid to cities and towns by almost \$700 million annually.

The final State budget for FY10 reduced aid to cities and towns by more than \$500 million, about 9% of total State aid. The FY11 State budget cut another \$200 million statewide. Concord's State aid revenue reflects a corresponding drop, from \$4.5 million as the initial FY09 allocation to \$3.66 million estimated for the current year.

The Governor's Jan. proposal for the FY12 State budget seeks to hold Statewide aid essentially level for the coming year, an outcome that would still mean a cut of about 3% for Concord. However, the State's deficit projections are not improving and the legislature has conveyed the message to expect a more substantial State aid cut for FY12. The financial plan being presented for Concord's Town Meeting incorporates an estimated FY12 State aid reduction of 10% (down to \$3.3 million) pushing the state aid share of the proposed budget down to about 4%.

The present status of FY11 and FY12 estimates for the Town is shown below.



State Aid

FY08 and FY09 actual, FY10 budget and actual,
FY11 budget (July "cherry sheet estimate") and FY12 forecast

Account	Actual FY08	Actual FY09	FY10		FY11 Budget	FY12 Forecast
			Budget	Actual		
1 Chapter 70 school aid	\$1,975,049	\$1,928,178 (a)	\$2,111,688	\$2,111,688	1,988,323	
2 Additional assistance	383,959	346,544				
3 Lottery	1,059,887	956,605				
4 Unrestricted general gov't aid			1,022,124	1,022,124	981,239	
5 Police career incentive	158,314	160,094	30,496	31,046	15,622	
6 State-owned land	610,209	654,273	589,412	589,412	569,247	
7 all other	55,108	41,969	55,156	37,364	103,240	
TOTAL	\$4,242,526	\$4,087,663	\$3,808,876	\$3,791,634	3,657,671	\$3,300,000

NOTE: (a) \$226,606 was received on June 30, 2009 as a federal ARRA ("stimulus") grant

Article 11: Free Cash Use and Article 26: Elementary School Debt Stabilization Fund

The accumulation and use of Free Cash, which is available undesignated fund balance of the General Fund, is an important component of the Town's overall financial management policies. These policies maintain the Town's ability to respond to emergencies, promote the stability of service levels and control the rate of tax levy change. The undesignated fund balance may be appropriated in either of two forms: 1) for specific expenditures or 2) to reduce the tax levy that otherwise would be required. The available amount is calculated and certified each year by the Commonwealth's Department of Revenue based upon the balance sheet submitted by the Town.

The General Fund Balance, sometimes referred to as "surplus" or "surplus revenue", is the amount by which cash and receivables exceed current liabilities and commitments. In a business sense, this

might be thought of as liquidity. In a personal sense, it can be thought of as available savings—at least the portion of savings that cannot be claimed by any other creditor and that is available without requiring the sale of property or other fixed assets.

It is customary for the Annual Town Meeting to allocate some portion of the General Fund Balance to the support of the ensuing year's expenditure plan. In some years these savings used are more than replenished from operations, while in other years the year-end return from unexpended appropriations and from revenues over estimates (if any) is insufficient to fully restore the Town's accumulated reserves. The sums voted by each annual Town Meeting for use in the ensuing fiscal period are deducted and reserved prior to each June 30 certification.

Free Cash allocated to FY12 budget support

The Finance Committee's Budget Guideline plans issued last Nov. recommends an allocation of \$850,000 to support the FY12 operating budgets. The Committee annually reviews the Free Cash policy and has reaffirmed the commitment to keep the unused Free Cash Balance at or above 5% of the total ensuing budget, a level deemed essential to enable the Town to cope with unexpected circumstances. The Town's actual Free Cash level has been above this minimal level in recent years and has been an important factor in the maintenance of the Town's Triple A credit rating.

Any favorable budget variances from current year operations (actual revenues in excess of the FY11 budget estimate, and/or any FY11 appropriations that remain unspent at year end) will become part of the

Free Cash Undesignated Fund Balance					
BALANCE			USED		
As of June 30	Certified	As % of next budget	Fiscal Year	To reduce tax rate	As percent of levy
2005	\$ 4,880,193	7.8%	2007	\$ 500,000	0.9%
2006	5,730,609	8.6%	2008	500,000	0.8%
2007	8,003,063	11.5%	2009	600,000	1.0%
2008	7,371,061	9.8%	2010	1,040,000	1.6%
2009	8,471,337	11.1%	2011	600,000	0.9%
			<i>proposed</i>		
2010	\$ 8,635,340	11.1%	2012	\$ 850,000	1.2%

June 30, 2011 Free Cash balance. This balance will be available to the next Annual Town Meeting in 2012 for allocation in support of future budgets. The results of FY11 operations are presently expected to restore all or most of the Free Cash balance proposed for allocation at the 2011 Town Meeting. The Committee is recommending allocation of \$850,000 (Article 11).

Elementary School Debt Stabilization Fund

The 2008 Town Meeting had acted upon the recommendation of the Finance Committee to establish a debt service stabilization fund, with an initial transfer of \$2.5 million from Free Cash (effective July 1, 2008), in anticipation of

significant debt service costs projected to begin in FY11 for debt service on the Willard School project. Last year's Town meeting allocated \$1,000,000 toward the FY11 debt service cost. Article 26 proposes the use of this fund for a second budget year, recommending a FY12 allocation of \$700,000 to support elementary school debt service. This avoids a 1% tax rate increase that otherwise would occur automatically, pursuant to earlier votes of the town electorate to exclude from the levy limit the debt service cost of financing the three new elementary school buildings, Alcott (2004), Thoreau (2006) and Willard (2009). The current plan is to draw upon the Debt Stabiliza-

tion Fund over the next four years as follows:

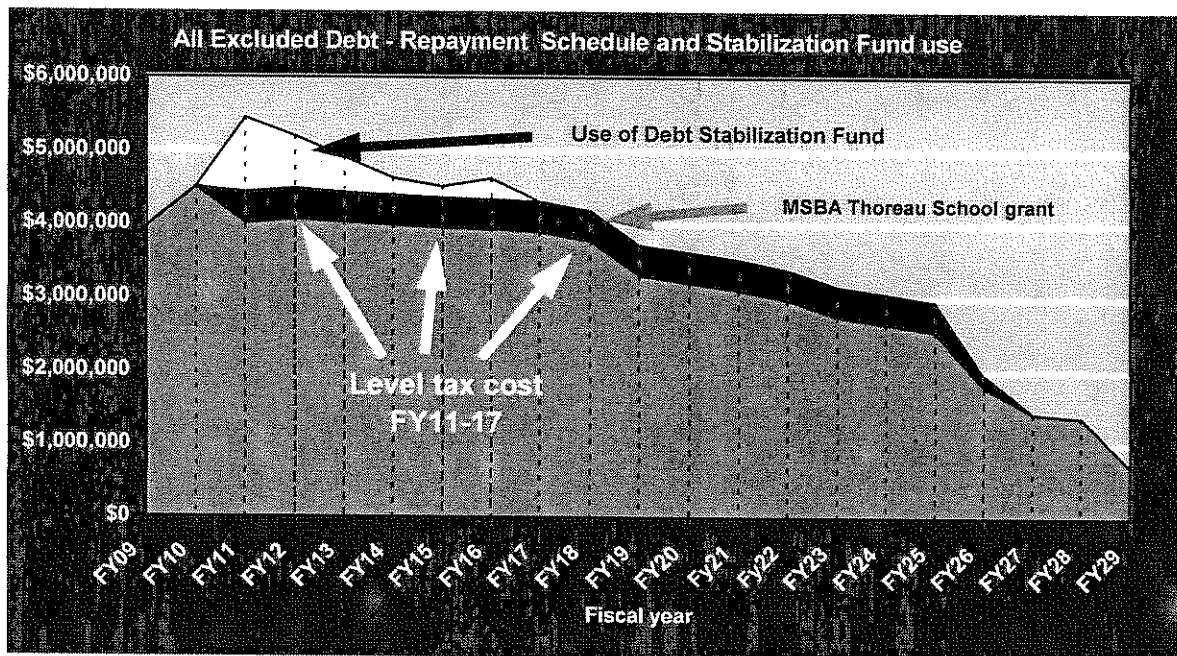
FY13—\$475,000;

FY14—\$225,000;

FY15—\$150,000;

FY16—280,000.

This plan will keep total excluded debt service essentially level during the time span. Since a Stabilization Fund can be invested with greater flexibility, but still safely, than other operating funds and retains interest earnings, the total planned outlay of \$2,830,000 over six years is more than the Town started with.



Reserve Fund transfers

The transfers to Town budget accounts authorized by the Finance Committee during FY10 are shown in the accompanying table. Requests amounted to \$76,582, with \$148,418 being returned unexpended at June 30, 2010.

The Reserve Fund is an appropriated contingency account. It is part of the Town Government budget (item 34 of Article 6, proposed at \$225,000) and is counted within the Finance Committee's budget guideline for Town Government operations (Article 6, items 1-36). It is allocated during the budget year by vote of the Finance Committee pursuant to the request of the Town Manager. BY state law, its use is restricted to "extraordinary or unforeseen expenditures".

The Town budget is adopted as a series of separate appropriations (Article 6, items 1-41). Funds are not transferred from one appro-

priation account to another except by Town Meeting action. Only the Reserve Fund appropriation may be used during the fiscal year to supplement other appropriation accounts, except that in the final three months of the budget year any appropriation balance may be transferred by joint approval of the Finance Committee and the Board of Selectmen. This latter provision was added by State law in 2003 as a safety valve for communities that exhaust their Reserve Fund account. Concord has not used this provision of State law.

This budget contingency process works differently for the Concord Public Schools budget (Article 8). State law gives the School Committee the bottom line power to authorize transfers within its appropriation total voted by Town Meeting.

At the end of each fiscal year, funds in appropriation accounts that are not spent are returned to the General Fund balance.

The FY12 Reserve Fund appropriation recommendation, \$225,000, is less than seven-tenths of one percent of the total Article 6 recommendation. State law allows the Reserve Fund appropriation to be as much as 5% of the previous tax levy; this would permit a Reserve Fund appropriation of \$3.3 million. The Concord Finance Committee has not felt that such a large contingency account would be consistent with the objective of fostering tight expenditure control by Town and School administrations.

Reserve Fund Uses, FY2010

Town Account	Amount	Purpose
2010 Flood Emergency	\$ 66,582	public safety and public works costs associated with Mar. 15 – Apr. 14, 2010 floods
Land Acquisition Fund	10,000	removal of underground fuel storage tanks at Marshall and McGrath farm parcels
TOTAL	\$ 76,582	

Observer reports

Board of Assessors

The Board of Assessors is responsible for the valuation of residential and commercial properties for local tax purposes. The board also decides on applications for 1) abatement owing to property overvaluation and 2) property tax and Community Preservation Fund surcharge exemptions filed by residents who are eligible by virtue of age, income or disability, as defined by State law and fully described on the assessors' web page (www.concordma.gov).

The Board of Assessors is a citizens' body appointed by the Town Manager with the approval of the Board of Selectmen. It is comprised of five members plus an additional three associate members. Full members have voting rights and can sign documents as members of the Board, while associate members do not and cannot.

State law requires that properties be valued at their "full and fair cash value" every year. Once every three years, valuations must be certified with on-site reviews by the state Department of Revenue (DOR), Bureau of Local Assessment. In the intervening years, the valuation is subject to statistical review, overseen by the Board of Assessors and approved by the DOR. Concord's last property valuation certification was conducted in FY08. Concord's next recertification year will be FY12, which means the Department of Revenue will conduct an on-site review in the fall of 2011.

The assessment calendar runs from January to December and is summarized in the table below. Valuations are established for assessment Jan. 1, based on Town property sales data from the preceding calendar year. Analysis of sales from the preceding year occurs during the spring and summer of the actual assessment year. In addition, in accordance with State law, the assessors value new construction completed or in progress as of June 30. All proposed valuations are published in the fall. The tax rate is set in December, midway through the fiscal year beginning on July 1, and the new assessed value appears on the 3rd quarter tax bill mailed each Jan. 1, a full year after the assessment date.

For Fiscal Year 2011 (July 1, 2010-June 30, 2011)	
Assessment Date	January 1, 2010
Calendar year sales analysis	Sales occurring in 2009
New construction valuation	Status as of June 30, 2010
Property valuations set	Fall 2010
Property tax rates set	December 2010
New property tax rates applied	3rd Quarter property tax bill, January 1, 2011

Continued

One warrant article is being sponsored by the Board of Assessors at the 2011 Annual Town Meeting.

Article 13 is proposed annually (since 2001) by the Board of Assessors to determine whether the Town will accept State law provisions that allow cities and towns to increase by 100% the State-set limits on certain statutory property tax exemptions. Concord Town Meeting has approved this option each year (usually as part of the Consent Calendar), thereby doubling the amount of money that may be deducted from the tax bills of qualified applicants. Eligible citizens include disabled veterans, blind persons, and people who are 70 years or older (or joint owner with a spouse 70 years or older) as of July 1 of the tax year, have owned and occupied the Concord property for five years, and meet other asset requirements. The Commonwealth reimburses cities and towns for a portion of the state-set limits but does not provide reimbursement for the locally-adopted increase above the state limits. In FY10, 118 eligible taxpayers were granted property tax bill reductions totaling about \$101,500 (with subsequent state reimbursement of \$32,475 in FY11). The Finance Committee recommends affirmative action on Article 13. The article is expected to be on the Consent Calendar. Details on tax exemption eligibility requirements are available on the Town's Board of Assessor's website http://www.concordma.gov/Pages/ConcordMA_Assessors/exemption_information.

Concord Municipal Light Plant

Overview of CMLP

The Concord Municipal Light Plant (CMLP), established in 1898, is one of 40 municipally owned electric utilities within Massachusetts. CMLP purchases power from outside suppliers and distributes it to approximately 7,600 residential, commercial, and industrial customers and public agencies in Town. CMLP's municipal ownership is important to Concord residents because it provides the Town with more stable rates and better service at a lower cost than neighboring towns. In CMLP's 2008 Residential Customer Survey, 96.4% of responding customers provided a strong overall positive rating for "their electric company".

Pursuant to the provisions of the Town Charter, CMLP is a town department under the direction of the Town Manager. The Town Manager serves as the Manager of CMLP, hires the Director and appoints the Light Board members. The Light Board is an advisory body that provides advice to the Town Manager and Director. The Town Manager has delegated the responsibility of electric rate setting to the Light Board. The Director plans, organizes, and directs the operations of CMLP in a manner which ensures that the department functions smoothly and that customers are provided with electric service of the highest quality at a reasonable cost. CMLP's financial results for the previous calendar year are included in the Town's financial statements for the Town's June 30 fiscal year. All administrative financial and human resources functions are performed by the Town Finance and Human Resource offices, with cost allocated to CMLP.



CMLP owns and maintains all buildings and infrastructure within the Town borders having to do with delivering electricity: headquarters, substations, wires and cables. Fiscal year 2011 operating revenues are budgeted in excess of \$28 million and plant and equipment is valued currently at almost \$50 million.

Summary observations

2010 was the first full year after the transition from a single source to a Power Supply procured using a portfolio approach with a more diversified set of energy suppliers and contract durations. There were efforts toward starting to install a utility scale solar generation facility in town. On the demand side, tiered electricity pricing, put in effect in late 2009, was intended to introduce some price sensitivity into electricity demand while expanded conservation programs are helping rate-payers reduce costs. Capital projects, such as the Smart Grid and Willard's solar array also mean changes to the distribution grid.

The Light Board is being proactive charting a course for these and future changes by publishing and promoting discussion of strategy documents for renewable energy and utility scale solar. Currently the light plant is also finalizing processes and agreements that will facilitate rooftop solar for residents and businesses that want to make these investments. Finally, planning for an upgrade to the main substation through which electricity is supplied to the town has started. This substantial capital project will be required within a year or two because the current substation equipment is near its rated capacity on peak demand days and demand is forecasted to continue to grow notwithstanding the conservation and Smart Grid efforts.

The Light Board and the Light Plant staff are engaged in serious efforts to address these issues on multiple levels. Their willingness to focus on longer term planning in the face of significant industry and technology change while managing a full range of day-to-day issues is important and welcome. What follows are some of the specifics of this broad agenda.

Power Supply: Diversification and Additional Renewable Sources

CMLP's power consists of a mix of conventional sources (primarily natural gas-fueled power plants) and renewable energy sources. A 3-year power purchase contract with Morgan Stanley became effective Oct. 1, 2009, and is projected to supply about three-quarters of the Town's electricity needs until Dec. 2012. A contract with the Braintree Electric Light Department for natural gas-fueled peaking power from the Thomas A. Watson Power Plant supplies 17% of capacity needs and contributes to energy needs when the unit is dispatched by the ISO (Independent System Operator).

Last fall CMLP went out to bid for about 20% of our energy needs for the years 2013-2015. The low bid, submitted by Constellation, was just under 5.5 cents/kwh, which was very favorable. This bid process will be revisited each spring and fall, when natural gas prices tend to be the lowest, and additional blocks of energy will be added to the CMLP portfolio when bids are deemed to be competitive.

CMLP continues to add renewable energy-based sources to Concord's power supply portfolio. Hydroelectric power is already being purchased through the New York Power Authority, and a three-year contract with Miller Hydro in Lisbon, ME, began March 1, 2010. The contract with Miller Hydro was recently extended for an additional 39 months at a lower price and is now scheduled to terminate May 31, 2016. Power under these 2 contracts will supply roughly 6% of the town's energy needs in the coming years. Last fall CMLP signed a 15-year power supply contract with Spruce Mountain; a wind farm located near Bethel, Maine. The project should be up and running by the end of 2011 and will supply about 3% of Concord's needs. Last year CMLP also contracted with Industrial Power Services Corporation to purchase electricity generated from their land fill gas plant located in Granby, MA. The output will provide about 1 megawatt of capacity and 3% of our energy requirements.

Continued

Solar Energy Update:

Utility Solar: Given decreases in the price of solar photovoltaic panels, the State and Federal financial incentives available, and solar's ability to "reduce the peak" during summer high usage times, CMLP is nearing completion of a third-party power purchase contract for a solar utility scale ground base generation facility in Concord. The 2010 Town Meeting authorized the Town Manager, under article 64, to enter into a long-term lease for selected parcels of Town land should CMLP determine that a solar facility is both cost-effective and advantageous to the Town. During 2010, CMLP moved forward with Board of Selectmen and Town Manager support on a solar facility to be located at the wastewater treatment site off of Bedford St. Contract negotiations will continue into 2011 with completion of the facility by the summer of 2012. It is estimated this project will reduce our summer peak by 650 kilowatts (approximately 1%) and provide about 1 million kilowatt hours each year over the 20-year contract.

Rooftop Solar: In 2010, CMLP coordinated the installation of a 48kW photovoltaic (PV) system on the roof of the Willard School, the first on a municipal building in Concord. It was financed with \$150,000 in federal grant money awarded to the Town, \$43,000 from the Sawyer Trust and \$26,000 from CMLP renewable energy funds. The system began operation in mid-September, and by early March, 2011, had generated almost 13,000 kWhs, saving the Town about \$2,000 in electricity costs, and reducing the carbon dioxide emissions required to provide the School's electricity by more than six tons.

CMLP also revised its net metering policy, its solar PV rebate program and its solar PV interconnection agreement in 2010. These changes were made to accommodate what CMLP hopes will be a rapid expansion of solar PV use in Town. To encourage such an expansion, CMLP is developing residential solar PV programs to be offered in 2011. As of the end of 2010, there were thirteen solar photovoltaic arrays in Town, owned by residents, businesses and state and Town government. The PV systems in town total 245 kW of capacity.

Financial Overview

CMLP is structured as an Enterprise Fund. It is entirely self-supporting and requires no tax money. CMLP pays an administrative fee to the Town to cover the cost of CMLP's use of Town resources and services; the Town's FY2011 budgeted administrative fee is about \$319,000, which includes \$193,000 for core services provided by the Finance and Human Resources departments. CMLP also makes an annual transfer to the General Fund as a Payment in Lieu of Taxes (PILOT). This payment is based on the same formula as is used to calculate the property tax for investor-owned utilities in the state, and is based on net plant value times the property tax rate. The Town's FY2011 budgeted PILOT from CMLP is \$380,000 (Article 14).

With a two-thirds vote of Town Meeting, CMLP capital expenses may be bonded by the issuance of town bonds, which are supported by the Town's credit rating and backed by the Town but are fully dependent on CMLP revenues for interest and principal retirement payments. CMLP maintains its own budget and set of accounts, but all receipts and disbursements as well as the issuance of utility bills are handled by the Town Finance Department. There is a separate Finance Committee public hearing for this and all other enterprise funds prior to Town Meeting.

CMLP debt outstanding at December 31, 2010 totaled \$1,910,000. Town Meeting in April 2009 authorized an additional bond issue of \$4,500,000 for Smart Grid infrastructure development. This additional long-term debt is expected to be issued in 2011.

2010 Financial Results:

Audited financial reports of CMLP are filed with the Massachusetts Department of Public Utilities on a calendar-year basis. The audit of 2010 financial results is in process at this time; therefore, please note that the results for 2010 are preliminary and exclude the effect of unbilled sales and audit adjustments.

Electricity sales for 2010 were 182,592 megawatt hours (MWH) compared to 177,579 MWH in 2009, an increase of about six percent. Power supply charges from suppliers are passed through at actual cost to CMLP customers. Additionally, CMLP bills customers for the cost of electricity distribution, which includes operating, maintenance, capital and administrative costs. CMLP's revenues increased about 12.5% from \$21,048,169 in 2009 to \$23,683,582 in 2010. Income from operations also increased from \$1,388,118 in 2009 to \$1,431,314 in 2010. However Net Income (reported on an Operating Budget basis) declined from \$95,943 in 2009 to a loss of \$90,173 in 2010. The major cause of this decline in net income was that rates implemented at the end of 2009 were not adequately covering the costs to operate the Light Plant. After a thorough analysis of the rates was completed, the Light Board held a public hearing on November 30, 2010 to present a rate increase. December 20, 2010 the Light Board approved new rates which went into effect Jan. 1, 2011.

Pricing

Effective for bills rendered on or after August 1 2009, CMLP instituted a surcharge for commercial customers whose capacity usage, as measured by Power Factor, does not meet an efficiency target. Effective October 1, 2009, CMLP implemented a tiered pricing program for residential electricity. The rate for usage up to 1,400 kilowatt hours (kWhs) per month is 14.36 cents per kWh, increasing to 15.36 cents for usage from 1,401 to 2,200 kWhs, and 16.36 cents per kWh for usage greater than 2,200 kWhs/month. Usage for approximately 80% of residential customers presently falls in the lowest tier. Power factor surcharges and tiered residential pricing are expected to improve energy conservation and efficiency, and adjustments to these programs will be made over time.

Rate Stabilization Fund

In 2006, CMLP established a rate stabilization fund to buffer future rate increases after the Constellation contract expired in September 2009. About \$1,300,000 from the Rate Stabilization Fund was credited to customer bills to offset increased power supply expenses in 2009. During 2010, an additional \$3.1 million was credited to customer bills leaving a balance of \$5.7 million. Stabilization funds will continue to be used through 2011 and into 2012. By 2013 it is expected that CMLP will have fully transitioned to rates based on the cost of the diversified supply portfolio.

Rate Relief Funds

For low-income customers who qualify, CMLP provides a discounted electricity rate of 50% on the first 500 kilowatt-hours per month. In 2010, about 119 customers qualified for discounts totaling approximately \$66,000. CMLP also made a \$21,000 contribution to the Hugh Cargill Trust, a fund under the auspices of the Board of Selectmen, used by the Trustees in a confidential way to help those CMLP customers in critical need.

Energy Conservation

In 2010, CMLP provided \$75,000 in energy efficiency and renewable energy rebates to its customers. \$60,000 was provided to residential customers; with over half of that amount used to help customers offset the cost of purchasing Energy Star-qualified appliances. Almost \$20,000 in rebates for energy efficient central AC systems was distributed as well, followed by smaller amounts for compact fluorescent bulbs and weatherization rebates for electric heating customers. Commercial customers received over \$10,000 in energy efficient lighting rebates and a smaller amount for Energy Star-qualified appliances.

Continued

CMLP funded 68 home energy audits in 2010 and followed up with 60% of audit customers to assess customer satisfaction, as well as the rate at which customers implemented the energy efficiency measures recommended by the auditor. By year's end, almost half of the audit customers contacted had implemented at least some of the audit recommendations for improving their home's energy performance. Many customers who had audits completed in the latter part of 2010 are planning to improve the energy efficiency of their homes, but have not yet accomplished the work. Planning and implementing energy conservation measures can take a considerable amount of time. CMLP staff will continue to follow up with these customers in 2011, and update the 2010 results periodically.

CMLP carried out a pilot project in 2010, which involved notifying a sample of natural gas heating households in town of a weatherization program offered by National Grid. National Grid provides free professional sealing of leaks and cracks in a home and a 75% discount on insulation, up to \$2,000 to eligible households. National Grid's auditors also inspect heating systems for safety problems. Town staff and volunteers called households to encourage them to participate in the program, and followed up with them to track outcomes. Fifteen households weatherized their homes and/or replaced their heating systems as a result of the pilot.

CMLP coordinated an upgrade of the lighting at 105 Everett St. More energy efficient lighting was installed throughout this Recreation Department building.

Smart Grid: April 2009 Town Meeting approved debt financing for the design and implementation of a Smart Grid system. The Smart Grid being installed consists of three basic parts: 1) a communications network of fiber optic lines from Concord Light to the 1,400 or so distribution transformers located throughout town; 2) energy management devices such as load control switches, meters, and smart thermostats in homes and businesses; and 3) related operating software.

The communications network will be capable of collecting data about electricity usage from homes and businesses and enabling Concord Light to help customers manage their electricity usage. Other tools will be introduced in 2011, such as software to allow customers to view their electricity usage online and also enable Concord Light to manage load in response to peak demand.

Expected benefits of the Smart Grid system are: quicker response to power outages and reduced usage during peak periods which decreases the total amount of electricity CMLP will need to buy. The Smart Grid will also support energy conservation and help incorporate renewable sources of energy such as solar photovoltaic arrays into the electricity grid.

Concord Light's Smart Grid project moved forward in 2010. Construction was planned in four phases based on areas of the town with Phase 1 being Main St. and the areas around and including Emerson Hospital. The Smart Grid system will become operational in phases with project completion expected in late 2011.

Make-ready work to prepare for infrastructure construction in all four phases was completed by Concord Light in 2010. During the fall, contractors began building a town-wide fiber optic network connecting the 1,400 transformers in the Town's electric system. A rollout of home-based devices to customers is anticipated to begin in the first quarter of 2011.

As part of Concord's Smart Grid project, Concord Light is updating the load management system which uses signals sent over power lines to communicate with customers' ETS heating systems and hot water heaters to determine when the systems are charged with electricity and when they are not.

There are approximately 500 customers with ETS heating and/or controlled water heating in Concord, and Concord Light will continue updating customers' equipment by Smart Grid phase through mid-summer 2011.

Public Works Commission

The Public Works Commission consists of five members appointed by the Town Manager for staggered three-year terms. The Commission advises the Town Manager, the Director of Concord Public Works (CPW), the Planning Board, and other Town boards on matters that concern Town water, sewerage, solid waste, drainage and roads. The Commission is responsible for setting policy and rates schedules for water, sewer, and solid waste services, and approves minimum standards for, and the final layout of town roads. The annual budget for operating CPW is contained in the Town Manager's budget (items 17 to 24 of Article 6). The FY12 recommendation of \$3,551,989, which is 10.4% of the Town operating budget, represents a 3.9% increase over FY11. The highlights of the FY12 recommendations include:

Administration: (Item 17A) No significant change over FY11

Proposed increases in purchased services and supplies are offset by budgeting less overtime. The Solid Waste Fund funds 50% of one of the division's Administration Assistant position and 13.5% of all other expenses. The Water Fund covers 25% of the division expenses, and the Sewer Fund covers 10%.

Engineering: (Item 17B) a 4.7% increase in operating cost

Major elements in purchased services are \$16,000 for ground water and soil gas monitoring expenses at the landfill site and \$22,000 for computer software maintenance and training related to the Geographic Information System (GIS). The Capital Outlay budget includes \$10,000 for traffic signal replacement, \$70,000 for federal and State-mandated street sign replacement, and \$20,000 for continued GIS application development.

Highway Maintenance- (Item 17C) a .1% decrease in operating cost.

Increases in cost of supplies have been offset by a substantial decrease in catch basin cleaning (\$18,200). In the future catch basin cleaning will be done in-house with purchased equipment.

Other support is provided by the Water & Sewer Fund for fleet maintenance and trenching activities (\$20,029) and by the Solid Waste Fund for Drop-Off Day assistance and partial funding of Composting Site expenses (\$5,000).

Capital Outlay include \$10,000 for guardrail replacement, \$12,000 for mandated radio-rebanding, and \$5,000 for small equipment.

Parks & Trees: (Item 17D) a 1.7% increase in operating cost.

In FY12 the summer crew will increase from two to four positions while decreasing seasonal help hours from 2280 to 1648. The Light Fund covers (\$7,225) for tree maintenance around power lines.

A private sports organization, The Friends of Concord Fields provides \$50,000 to cover the maintenance of the multi-purpose fields. The Concord Carlisle Youth Baseball will provide (\$7,700) for maintenance of the Ripley Field baseball facility. Other expenses are partially supported by \$30,000 from the Recreation Fund and the school budget.

Continued

Cemetery: (Item 17E) a 10.5% increases in operating cost.

This increase is necessary because of the planned filling of the full-time cemetery specialist position; which is currently vacant and funded as a part-time position.

The Cemetery Fund provides 65%, the General Fund 35% of operating costs. 100% of capital costs are covered by the Cemetery Fund.

Capital outlay consists of \$10,000 for the continuing grave marker preservation program and \$30,000 for master plan improvements.

Snow & Ice Removal: (Item 18) a 3.6% increase

The recommended appropriation based on a 10-year average of actual expenditures would be of \$560,000. Due to budget constraints, only \$513,000 is proposed to be appropriated. The cost of salt, which has increased over the past few years, decreased 15% in 2011. Salt is about 35-40% of the total winter maintenance expenditures.

Street Lighting: (Item 19) shows no significant change.

The number of streetlights has been reduced from 1,636 in FY03 to 867 at the end of FY10. This has saved about 347,000 kWh of electricity. There are no plans to reduce more. Existing lights will be downsized resulting in further energy savings.

CPW Equipment: (Item 20) represents a 22.2% decrease in capital cost.

This year the department plans to replace one pick-up truck, and will transfer one dump truck from Water and Sewer to replace an existing truck. We will add a catch basin cleaner, a rack lift-gate truck, and a one-ton roller.

Drainage Program: (Item 21) a 4.9% increases over FY11

The budget includes a \$10,000 increase for cost related to compliance with the new 2011 Merrimack Watershed NPDES MS4 Permit. The FY11 program will include:

design and construction of a drainage replacement for Grant St., and a Westford Rd. culvert reconstruction. Drainage rehabilitations associated with the Road Program will include Willow St., Hubbard St., Fielding St., and the Union St. area.

Sidewalk Management: (Item 22) no change over FY11.

An updated evaluation in FY11 indicates that the sidewalk condition index (SCI) has decreased and is slightly below the target 80-85 SCI. The FY11 evaluation also included an inventory of curb ramps to assess repairs needed to meet current Americans With Disabilities Act (ADA) requirements.

A limited number of sidewalk extension projects will be completed with funds remaining from the \$250,000 borrowing authorization of FY10.

Road Improvements: (Item 23)

This budget contains no change in General Fund appropriations of \$90,000. This funding provides for the cost of in-house engineering time. The total funding from all sources proposed for the FY12 Roads Program is \$1,378,000, including a local borrowing authorization and state aid..

Proposed borrowing (Article 22)

This proposed borrowing for the FY12 Road Program is increased from \$700,000 to \$750,000 to reflect the increase in the price of asphalt.

133/135 Keyes Rd.: (Item 23) a 4.7% decreases in operating cost.

A decrease of \$8,620 (12%) in electricity and natural gas estimates account for most of the reductions, reflecting recent price stability of natural gas and the installation of a new gas-fired/hybrid

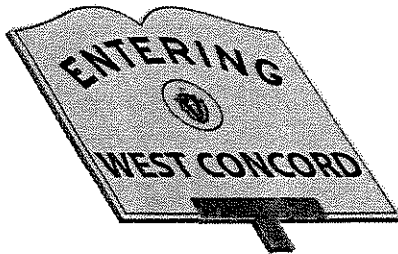
HVAC system at 135 Keyes Rd.

The Town continues to study the problems of the Wastewater Treatment Plant. The 2009 Town Meeting supported the formation of the Wastewater Planning Task Force. That committee with the help of the engineering consulting firm Weston and Sampson has been evaluating the available alternatives. A detailed explanation can be found in the minutes of the last meeting held on Dec 10 2010. They can be found on the town's web site, http://www.concordma.gov/pages/ConcordMA_BComm/Wastewater%20Task%20Force.

Planning Board

Concord's Planning Board has been grappling with three main issues this year. The relevant articles are summarized below.

The first issue before the Planning Board is that of "mansionization," i.e., the phenomenon of either building new houses on one existing property lot or an adjacent pair of lots or renovating houses to dimensions that exceed the look and feel of an existing neighborhood. In response to the final report submitted to the Planning Board by the Residence C Task Force, the Planning Board will move two Articles at Town Meeting. The first defines side yard setbacks, and proposes maximum building heights within the 12-15 feet of a side yard. The second defines the maximum allowable height for a residence and the method for measurement of that height. Both Articles 43 and 44 will only apply to Residence District C, which includes the most densely inhabited residential neighborhoods of town.



The second issue concerns future development in West Concord. In response to the West Concord Village Master Plan (2010) a set of Design Guidelines were established in Jan. 2011. To concretize these guidelines, a series of warrant articles outlines principal use regulations for commercial and industrial districts (Articles 45 and 50). Article 51 establishes the West Concord Village District and defines principal use regulations for it. Dimensional regulations (height and front yard) are proposed for the West Concord Business and Village Districts (Article 53). In addition, a Special Town Meeting will be held within the dates of the regular Town Meeting to consider the Development Agreement that has been negotiated between the Town of Concord and a group of private developers.

Finally, the Planning Board is also moving forward with a plan to address the issue of formula businesses in West Concord. Two articles will be proposed. The first, Article 54, proposes to define formula businesses and propose a quantitative limit, subject to special permitting by the Zoning Board of Appeals, for the number that will be allowed in the West Concord Business and Village Districts. The other, Article 55, proposes to define formula businesses, leaving aside the question of a quantitative limit, subject to special permitting by the ZBA.

None of these articles bears directly on the Town's revenues. Indirectly, the values of residential real estate in Residence District C or commercial real estate in West Concord could be affected by the zoning regulations proposed here, which in turn would have implications for the property tax revenues generated for the Town. The sign of the impact—whether Residence C or West Concord commercial properties would become more or less desirable, and hence valuable, as a result of these bylaws – is impossible to assess without further study of the results of similar actions in comparable towns. Some expenditures associated with the proposed implementation of the West Concord Village Center Design Guidelines are already reflected in the Town Manager's capital budget for FY2012.

Recreation Commission

The Recreation Commission is appointed by the Town Manager and is responsible for setting policy directions for the Concord Recreation Department. The Recreation Department operates a number of programs to provide year-round recreational opportunities for members of the community. Major services include preschool and after-school care serving children between the ages of three and 11, summer activities including day camp that last summer served over 800 children, a variety of sports programs for children and adults, and swim and fitness programs at the Beede Swim and Fitness Center.

The Beede Center

The Beede Center is operated as the Swim and Fitness Enterprise Fund, established by a Town Meeting vote in 2005. Located on the campus of the Concord Carlisle Regional High School, the facility opened in April 2006. As an enterprise fund, the Beede Center has an accounting structure under which membership and user fees and other revenues are used to meet its expenses, including certain costs allocated from the Town, including pension and other post-retirement benefits of employees. The enterprise fund structure allows the Center to depreciate its assets and build up capital reserves for maintenance and future capital expenses. The Beede Center has a capital budget pursuant to which it is replacing exercise equipment, flooring and other infrastructure to keep the facility in top condition. Thus the enterprise fund structure allows the Town to operate the facility as a financially self-supporting enterprise without a need for tax revenues.

Now in its fifth year, the Center continues to be a vital and popular community resource. The fiscal year that ended June 30, 2010 was a financial success with operating income in excess of \$200,000. However, the economic downturn and competition from other health and fitness facilities in the vicinity have resulted in a decline in total membership during the past year, and revenues for the year ending June 30, 2011 are tracking about 11% below the levels of the previous year. Nonetheless membership remains strong with a high percentage of renewals. New members continue to join and guest visits are popular. The Center offers a number of swim and fitness programs and a youth swim team program that have generated additional revenues. The management of the Recreation Department monitors the operation of the Center closely and adjusts its programming and staffing to address customer demand and to operate in a fiscally responsible manner. The Center has an adequate undesignated fund balance and has managed to accumulate a significant amount in its depreciation reserve. This ensures that the Center will be able to finance its needed capital equipment replacements and maintain the condition of the building from its own resources. The community is fortunate to have this well-run facility and the Finance Committee is grateful to all who have made it possible.

The Enterprise Fund budget for the Beede Center is Article 21 on the Warrant for Town Meeting.

Child and Adult Recreation Programs

Child care services sponsored by the Recreation Department include the Carousel Pre-school operated at the Harvey Wheeler Center and after-school and school-vacation care operated at the Harvey Wheeler and at the Hunt Gym. In addition, the Recreation Department runs a summer day-camp program at the Hunt Gym and on Emerson Field. User fees support these services and the Department offers scholarship assistance to families in need. Funding for the scholarships is raised annually from individuals, businesses and organizations including the Concord Carlisle Community Chest, the Concord Parents League, First Parish Church, the Lions Club and the DiGiovanni Family Trust, which is managed by the Trustees of Town Donations. Additional revenue was derived from the Concord Open Golf Tournament, held at Nashawtuc County Club. Other community events such as the Shamrock Ball and the Sixth Grade Halloween Party also contribute to the scholarship funds. During the summer of 2010 the Department was able to award over \$50,000 in summer scholarship aid to 38 Concord families. Although economic conditions resulted in a significant decline in day camp attendance and a change in the enrollment model, with parents not signing up until the last minute, the Recreation Department was able to adjust its staffing so that most summer programs operated in the black. The Department also was able to offer a Family Swim Program.

The Recreation Department organizes and supports several popular community-wide events including the Fourth of July Picnic in the Park and the Minuteman Classic Road Race. In addition to its own programming the Recreation Department works with other sports organizations in Concord to provide and coordinate the use of time and space on the playing fields, including the new turf playing fields behind Concord-Carlisle Regional High School. The Recreation Department works with the Friends of Concord Carlisle Playing Fields with respect to certain field maintenance and operating expense matters for the new turf fields.

Projects completed by the Recreation Department in recent years include the resurfacing of the track at Emerson Field and the installation of new playground equipment there. It has been working with the Friends of Concord Carlisle Youth Soccer and others on the construction of a new baseball field at the Ripley School site that is expected to be ready for use in the spring of 2011. Planning is in progress for new playground equipment at Rideout Field.

The proposed budget for administration and maintenance of the Hunt Gym and 105 Everett St. are included in the Town Manager's budget. Recreation programs are intended to be self-supporting and are funded primarily through user fees.



ARTICLE 2 CONSENT CALENDAR

Mr. Lawson moves: that the 2011 Annual Town Meeting advance for consideration Articles 3, 4, 11, 13, 14, 15, 16, 17, 18, 19, 20, 28, 29, 30, 45, 46, 48, 49 and 58, and take action on such Articles without debate on any of such Articles; provided, that upon the request of five voters at this Meeting, made before the vote is taken on this motion, an Article shall be dropped from the Consent Calendar and shall be acted upon in the ordinary course of business at this Town Meeting.

Article 3 Meeting Procedure

Affirmative Action Recommended By: Finance Committee, Board of Selectmen

Motion: That the Town take affirmative action on Article 3 as printed in the Handout. Reason: routine and noncontroversial; the motion will be identical to a motion passed annually and unanimously for more than ten years.

Article 4 Ratify Personnel Board Classification Actions

Affirmative Action Recommended By: Finance Committee, Board of Selectmen and Personnel Board

Motion: That the Town take affirmative action on Article 4 with the understanding that, under clause 8, the Personnel board voted on February 8, 2011 to add the title "Chief Information Officer" to Grade MP-7 and delete "Technology Director" from Grade MP-4.

Reason: routine and noncontroversial.

Article 11 Free Cash Use

Affirmative Action Recommended By: Finance Committee, Board of Selectmen

Motion: That the Town take affirmative action on Article 11 in the sum of \$850,000 as printed in the warrant.

Reason: routine and noncontroversial; the amount is the recommendation of the citizen Finance Committee and is well-explained in the Committee's Report.

Article 13 Property Tax Exemption

Affirmative Action Recommended by: Finance Committee, Board of Selectmen and Board of Assessors

Motion: the Town take affirmative action on Article 13 as printed in the Warrant.

Reason: routine and noncontroversial (voted last year on consent calendar, passed unanimously annually since 2001).

Article 14 Light Plant Payment in Lieu of Taxes

Affirmative Action Recommended by: Finance Committee, Board of Selectmen and Light Board

Motion: That the Town take affirmative action on Article 14 as printed in the Warrant in the amount of \$380,000.

Reason: routine and noncontroversial (on consent calendar past two years)

Article 15 Light Plant Expenditures

Affirmative Action Recommended By: Finance Committee, Board of Selectmen and Light Board

Motion: That the Town take affirmative action on Article 15 as printed in the Warrant.

Reason: routine and noncontroversial (voted in previous years on consent calendar).

Article 16 Road Repair Revolving Fund Expenditures

Affirmative Action Recommended By: Finance Committee, Board of Selectmen and Public Works Commission

Motion: That the Town take affirmative action on Article 16 as printed in the Warrant, in an amount not to exceed \$120,000 (motion at Town Meeting may specify a lower limit, pursuant to a handout).

Reason: routine and noncontroversial (revolving fund, voted last three years on consent calendar).

Article 17 Solid Waste Disposal Fund Expenditures

Affirmative Action Recommended by: Finance Committee, Board of Selectmen, and Public Works Commission

Motion: That the Town take affirmative action on Article 17 as printed in the Warrant.

Reason: Routine and noncontroversial (voted last three years on consent calendar).

Article 18 Sewer System Expenditures

Affirmative Action Recommended by: Finance Committee, Board of Selectmen, and Public Works Commission

Motion: That the Town take affirmative action on Article 18 as printed in the Warrant.

Reason: Routine and noncontroversial (enterprise fund, voted last three years on consent calendar).

Article 19 Sewer Improvement Fund Expenditures

Affirmative Action Recommended by: Finance Committee, Board of Selectmen, and Public Works Commission

Motion: That the Town take affirmative action on Article 19 as printed in the Warrant.

Reason: routine and noncontroversial (enterprise fund, voted last three years on consent calendar).

Article 20 Water System Expenditures

Affirmative Action Recommended by: Finance Committee, Board of Selectmen, and Public Works Commission

Motion: That the Town take affirmative action on Article 20 as printed in the Warrant.

Reason: routine and noncontroversial (enterprise fund, voted last three years on consent calendar).

Article 28 Transfer of funds to the Concord Public Schools Technology Stabilization Fund

Affirmative Action Recommended By: Finance Committee, Board of Selectmen, and School Committee

Motion: That the Town take affirmative action on Article 28 as printed in the Warrant, in the sum of \$50,000.

Reason: creation of the fund voted by Town Meeting last year; noncontroversial at Public Hearing.

Article 29 Transfer of funds to the Concord Public Schools Capital Needs Stabilization Fund

Affirmative Action Recommended By: Finance Committee, Board of Selectmen, and School Committee

Motion: That the Town take affirmative action on Article 29 as printed in the Warrant, in the sum of \$100,000.

Reason: routine, noncontroversial at Public Hearing.

Article 30 Transfer of funds to the Concord-Carlisle Regional School District Technology Stabilization Fund

Affirmative Action Recommended by: Finance Committee, Board of Selectmen and School Committee

Motion: That the Town take affirmative action on Article 30 as printed in the Warrant,

in the sum of \$37,587.

Reason: creation of the fund voted by Town Meeting last year; noncontroversial at Public Hearing.

Article 45 Zoning Bylaw Amendment: Table of Principal Uses (Corrections)

Affirmative Action Recommended By: Board of Selectmen and Planning Board

Motion: That the Town take affirmative action on Article 45 as printed in the Warrant.

Reason: noncontroversial.

Article 46 Zoning Bylaw Amendment – Table III – Dimensional Regulations

Affirmative Action Recommended By: Board of Selectmen and Planning Board

Motion: That the Town take affirmative action on Article 46 as printed in the Warrant.

Reason: noncontroversial.

Article 48 Zoning Bylaw Amendment – Special Home Occupation

Affirmative Action Recommended By: Board of Selectmen and Planning Board

Motion: That the Town take affirmative action on Article 48 as printed in the Warrant.

Reason: noncontroversial.

Article 49 Zoning Bylaw Amendment —Spelling Correction

Affirmative Action Recommended By: Board of Selectmen and Planning Board

Motion: That the Town take affirmative action on Article 49 as printed in the Warrant.

Reason: noncontroversial.

Article 58 Debt Rescission

Affirmative Action Recommended By: Finance Committee and Board of Selectmen

Motion: That the Town take affirmative action on Article 58 in the sum of \$2,800,000.

Reason: noncontroversial; Town Meeting has voted for similar debt rescission articles on previous consent calendars.